

## Message Text

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ACTION EA-13

INFO OCT-01 SS-14 ADP-00 NSC-10 NSCE-00 EB-03 SCEM-01

CIAE-00 INR-10 NSAE-00 RSC-01 L-02 TRSE-00 OMB-01

EUR-10 CIEP-01 XMB-01 RSR-01 /069 W

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P R 040955Z SEP 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6480

INFO AMEMBASSY JAKARTA

S E C R E T TOKYO 11322

LIMDIS

E.O. 11652: GDS

TAGS: ENRG, ETRD, BEXT, JA, ID

SUBJECT: INDONESIAN LNG

REF: TOKYO 11245

SUMMARY: THE AMBASSADOR CALLED ON FONOFF DEPUTY VICE MINISTER TSURUMI AND MITI VICE MINISTER YAMASHITA SEPTEMBER 3 RE INDONESIAN LNG SITUATION. TSURUMI INDICATED US MIGHT RECEIVE 4 MILLION TONS OF LNG PER YEAR IF RESERVES WERE LARGE ENOUGH. YAMASHITA SAID FOR TRADE MIN RADIUS, DURING VISIT TO JAPAN IN LAST WEEK OF AUGUST, HAD COMMITTED 10 MILLION TONS OF LNG PER YEAR TO JAPAN, BUT YAMASHITA INDICATED SITUATION CONFUSED BY UNCLEAR ROLES OF RADIUS AND PERTAMINA PRESIDENT SUTOWO. PREREQUISITE FOR FURTHER ACTION WOULD SEEM TO BE DETERMINATION BY EMBASSY JAKARTA AS TO WHETHER DIFFERENCES IN FACT DO EXIST BETWEEN PERTAMINA AND GOI. EMBASSY WOULD ALSO LIKE TO RECEIVE FURTHER WORD FROM JAKARTA ASAP RE PRESENT STATE OF PACIFIC LIGHTING DISCUSSIONS WITH PERTAMINA. END SUMMARY.

1. IN CONTINUING EFFORT TO GET TO BOTTOM OF ELUSIVE  
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INDONESIAN LNG SITUATION AND TO KEEP PRESSURE ON JAPANESE, AMBASSADOR AND ECONCOMMIN CALLED ON FONOFF DEPUTY VICE MINISTER TSURUMI AND MITI VICE MINISTER YAMASHITA SEPTEMBER 3. THE AMBASSADOR TOLD TSURUMI THAT DIFFERENT

AND CONFLICTING FORCES SEEMED TO BE AT WORK IN BOTH INDONESIA AND JAPAN CONCERNING SALES OF LNG, AND ASKED IF TSURUMI MIGHT SHED LIGHT ON HOW WE COULD RESOLVE CONFLICTS. TSURUMI NOTED (AS HAD FONMIN AHI: SEE TOKYO 11238) THAT FIRST HE HAD HEARD OF THIS PROBLEM WAS FROM EXIM PRESIDENT SUMITA WHEN SUMITA RETURNED FROM MOSCOW AND WASHINGTON. TSURUMI SAID HIS UNDESTANDING OF PRESENT SITUATION WAS THAT IF QUANTITY OF LNG AVAILABLE IN INDONESIA WAS SUFFICIENTLY LARGE US MIGHT RECEIVE 4 MILLION TONS OF LNG PER YEAR. IF PRODUCTION WERE "SMALLER" US SHARE WOULD PROBABLY BE REDUCED ON "PRO RATA BASIS"; THE AMBASSADOR ASKED IF "PRO RATA" SHARING WOULD BE ON A 50-50 BASIS. TSURUMI SAID HE DID NOT KNOW, BUT SEEMED SURPRISED AT THIS CONCEPT OF EQUAL SHARING. ECONCOMMIN AND THE AMBASSADOR ALSO BOTH STRESSED US STRONG INTEREST IN LNG SHIPS AND PLANTS. TSURUMI SAID HE WOULD LOOK INTO MATTER.

2. WITH YAMASHITA, THE AMBASSADOR STRESSED THERE MAY NOT BE AN ADEQUATE AMOUNT OF GAS FOR PACIFIC LIGHTING IF JAPAN TAKES ALL THAT IT NEEDS. EMPHASIZED NEED FOR SPIRIT OF COOPERATION AND SHARING PARTICULARLY IN PROJECTS INVOLVING NEW ENERGY SOURCES. THE AMBASSADOR NOTED THAT, AS US EXIMBANK CHAIRMAN KEARNS HAD TOLD JAPANESE EXIM PRESIDENT SUMITA, THIS PROJECT DID NOT SEEM TO BE FOLLOWING COOPRATIVE PATTERN. THE AMBASSADOR THEN ASKED FOR YAMASHITA'S ADVICE ON HOW SITUATION MIGHT BE CLARIFIED.

3. YAMASHITA SAID THAT MITI'S POSITION WAS NOT MUCH DIFFERENT FROM WHAT HE UNDERSTOOD NAKAYAMA HAD TOLD THE AMBASSADOR ON AUGUST 29. FORMER MITI VICE-MINISTER MOROZUMI HAD IN FACT TALKED OFFICIALLY TO GOI REPRESENTATIVE RADIUS IN APRIL. JAPANESE SIDE HAD PRESENTED CALCULATION OF ITS DEMAND FOR 10 MILLION TONS OF LNG/YR, AND HAD DISCUSSED FINANCING. IN APRIL, JAPANESE SIDE HAD ALSO SPECIFICALLY ASKED IF GOI UNDER OBLIGATION TO PROVIDE LNG TO US IN RETURN FOR \$300 MILLION OF EXPECTED US EXIM  
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FINANCING. RADIUS DID NOT RESPOND AFFIRMATIVELY SO MOROZUMI TOOK IT FOR GRANTED THAT FINANCING CONNECTED ONLY TO EQUIPMENT SALES.

4. YAMASHITA CONTINED THAT RADIUS HAD AGAIN BEEN IN JAPAN DURING LAST WEEK IN AUGUST AND AT THAT TIME HAD CONFIRMED VALIDITY OF APRIL MEMORANDUM OF UNDERSTANDING AND "GIVEN COMMITMENT" TO SUPPLY JAPAN WITH 10 MILLION TONS PER YEAR OF LNG. HOWEVER, YAMASHITA SAID, RADIUS NOT CLEAR ON WHAT TOTAL PRODUCTION WOULD BE IN 1980 AND THIS TIME DID NOT APPEAR TO BE AS SURE AS HE HAD BEEN IN APRIL THAT INDONESIA HAD NO OBLIGATION TO SUPPLY LNG TO US.

5. RE OBLIGATIONS TO US THE AMBASSADOR SAID IT OUR UNDERSTANDING THAT PACIFIC LIGHTING HAD SIGNED LETTER OF INTENT WITH PERTAMINA IN OCTOBER 1972 COVERING REPORTED QUANTITY OF 5.7 MILLION TONS PER YEAR. (SEE STATE 180974 AND JAKARTA 10465.) YAMASHITA SHOWED VISIBLE SURPRISE AT THIS NEWS.

6. THE AMBASSADOR FURTHER NOTED HE WOULD BE IN US THIS WEEK (WEEK OF SEPTEMBER 4), AND ASKED YAMASHITA IF HE HAD ANY SUGGESTIONS TO CLARIFY SITUATION. AFTER SOME THOUGHT, YAMASHITA SAID IF USG AGREED THREE GOVERNMENTS SHOULD GET TOGETHER, BUT BEFORE THAT, HE ADDED, "WE WILL HAVE TO ASK GOI TO SPEAK WITH ONE VOICE." YAMASHITA THEN WENT INTO SUTOWO VS RADIUS ISSUE, NOTING FACT THAT BOTH CLAIMED TO SPEAK FOR GOI HAD SEVERLY CONFUSED SITUATION. YAMASHITA ADDED THAT MITI HAD HAD NO CONTACT WITH SUTOWO WHEN HE WAS RECENTLY IN JAPAN (PERIOD ABOUT AUGUST 27), SO STILL UNSURE WHETHER PERTAMINA'S POSITION MATCHED THAT OF GOI.

7. IN CONCLUSION, YAMASHITA SAID STUDY TEAM WILL GO TO INDONESIA END OF SEPTEMBER TO CLARIFY SITUATION. MITI MAY TAKE PART IN THIS TEAM.

8. ECONCOMMIN ALSO RECEIVED CALL FROM DIRGEN MATSUKAWA OF MOF AUGUST 3 RE INDONESIAN LNG. MATSUKAWA SAID HE HAD BEEN ASKED BY FINMIN AICHI TO REPORT THAT SURVEY TEAM WOULD BE SENT  
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TO INDONESIA FOR PURPOSE OF TECHNICAL ANALYSIS INCLUDING RESERVES AND PRODUCTION CAPACITY. IF THE QUANTITY OF NATURAL GAS IS LARGE ENOUGH, MATSUKAWA SAID, IT IS PROBABLE IT WILL BE SHARED WITH US.

9. EMBASSY HAS ALSO PARTIALLY TRANSLATED SET OF DOCUMENTS (GIVEN TO US BY TOKYO GAS) WHICH WERE DISTRIBUTED AT TOP LEVEL MEETING ON AUGUST 29 (DOUCMENTS WILL BE POUCHED WHEN TRANSLATION COMPLETE). AMONG THEM IS GIST OF CONVERSATION BETWEEN NAKAYAMA AND PERTAMINA PRES SUTOWO DATED AUGUST 28. UNDER "SUTOWO'S VIEWS", DOCUMENT NOTES THAT POSSIBLE LNG SUPPLY PLAN IS AS FOLLOWS:

FROM KALIMANTAN 3.1 MILLION TONS/YR TO JAPAN

FROM N. SUMATRA 5.7 MILLION TONS/YR TO JAPAN  
4.2-5.7 MILLION TONS/YR TO US

SUTOWO THEN QUOTED AS SAYING "I PERSONALLY THINK JAPAN IS MORE LOGICAL MARKET. INTEND TO SATISFY JAPAN'S DEMAND FIRST AND THEN SUPPLY US IF QUANTITY LEFT."

COMMENT: JAPANESE CONTINUE TO TAKE POSITION THAT THEY ONLY ACTING IN ACCORDANCE WITH INDONESIAN WISHES, BUT AT THE MOMENT SITUATION SOMEWHAT CONFUSED BY ROLES BEING PLAYED BY RADIUS AND SUTOWO. PREREQUISITE FOR FURTHER ACTION WOULD SEEM TO BE DETERMINATION BY EMBASSY JAKARTA AS TO WHETHER DIFFERENCES IN FACT DO EXIST BETWEEN PERTAMINA AND GOI. EMBASSY WOULD ALSO LIKE TO RECEIVE FURTHER WORD FROM JAKARTA ASAP RE PRESENT STATE OF PACIFIC LIGHTING DISCUSSIONS WITH PERTAMINA.  
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## Message Attributes

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**Capture Date:** 10 MAY 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LPG, FOREIGN MARKETS, PETROLEUM PRODUCTION, BANK LOANS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 SEP 1973  
**Decaption Date:** 28 MAY 2004  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
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**Disposition History:** n/a  
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**Previous Channel Indicators:**  
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**Previous Handling Restrictions:** LIMDIS  
**Reference:** TOKYO 11245  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 NOV 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09-Nov-2001 by elyme>; APPROVED <17-Dec-2001 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INDONESIAN LNG  
**TAGS:** ENRG, ETRD, JA, ID, PERTAMINA, XMB, (TSURUMI), (YAMASHITA)  
**To:** STATE INFO JAKARTA  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005